

JPRS 74500

1 November 1979

China Report

ECONOMIC AFFAIRS

No. 25



FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Indexes to this report (by keyword, author, personal names, title and series) are available from Bell & Howell, Old Mansfield Road, Wooster, Ohio 44691.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

REPORT DOCUMENTATION PAGE		1. REPORT NO. JPRS 74500	2.	3. Recipient's Accession No.
4. Title and Subtitle CHINA REPORT: ECONOMIC AFFAIRS, No. 25			5. Report Date 1 November 1979	
7. Author(s)			6. Performing Organization Report No.	
9. Performing Organization Name and Address Joint Publications Research Service 1000 North Glebe Road Arlington, Virginia 22201			10. Project/Task/Work Unit No.	
			11. Contract/Grant No. (C) (G)	
12. Sponsoring Organization Name and Address As above			13. Type of Report & Period Covered	
			14.	
15. Supplementary Notes				
16. Abstract (Limit: 200 words) This serial report contains economic information on China.				
17. Document Analysis a. Descriptors CHINA National Economic Policy Economic Planning Finance and Banking Fuels and Power Mineral Resources Heavy and Light Industry Capital Construction Domestic and Foreign Trade Transportation b. Identifiers/Open-Ended Terms 05C, 13 c. COSATI Field/Group				
18. Availability Statement Unlimited Availability Sold by NTIS Springfield, Virginia 22161		19. Security Class (This Report) UNCLASSIFIED		21. No. of Pages 48
		20. Security Class (This Page) UNCLASSIFIED		22. Price

1 November 1979

CHINA REPORT

ECONOMIC AFFAIRS

No. 25

CONTENTS	PAGE
NATIONAL ECONOMIC POLICY	
PRC Encourages Family Sideline Production (Luo Weixiong; JINGJI YANJIU, 20 Aug 79)	1
PRC Journal Discusses Rural Trade Fairs (Zuo Ping, Mao Xincui; JINGJI YANJIU, 20 Aug 79)	12
ECONOMIC PLANNING	
Basing Birth Rate on Future Labor Demands Criticized (You Yunzhong; JINGJI YANJIU, 20 Jul 79)	22
PRC Journal Discusses Farm-Industry Integrated Enterprises (Ding Zeji; JINGJI YANJIU, 20 Aug 79)	26
GENERAL ECONOMIC INFORMATION	
'Net Output Value' as Main Economic Index Discussed (Wu Guotsu; JINGJI YANJIU, 20 Jul 79)	35
FINANCE AND BANKING	
Bank of China Holds Joint Meeting of Directors, Supervisors (ZHONGGUO XINWEN, 30 Jul 79)	39
LIGHT INDUSTRY	
Military Enterprises Urged To Produce Civilian Goods (Editorial; GONGREN RIBAO, 6 Sep 79)	40
Halt Misapplication of Second Category Light Industry Assets (Zhang Weixin, Qian Jian; GONGREN RIBAO, 6 Sep 79)	44

NATIONAL ECONOMIC POLICY

PRC ENCOURAGES FAMILY SIDELINE PRODUCTION

HK 091501 Beijing JINGJI YANJIU in Chinese No 8, 20 Aug 79 pp 28-33

[Article by Luo Weixiong [6020 2425 4071]: "Actively Encourage Commune Members To Operate Family Sidelines and Stimulate the Development of Agricultural Production"]

[Text] In his Report on the Work of the Government delivered at the Fifth NPC, Comrade Hua Guofeng pointed out: "To promote agriculture, we must fully mobilize the socialist enthusiasm of the millions of peasant masses." In addition to greatly developing the collective economy of communes, we are actively encouraging and assisting commune members to operate family sidelines. At the present stage, this is an important economic policy for mobilizing the socialist enthusiasm of millions of peasant masses and for the speedy recovery and development of agriculture.

I

The family sideline production of commune members is a product of the socialist transformation of agriculture. It is a new economic form. Its appearance reflects the objective demands for the development of rural productivity as well as the people's level of consciousness. Under the present conditions of relatively low productivity in the rural areas and the incapability of agriculture to more extensively enlarge production, actively encouraging and assisting commune members to operate family sidelines are of particular importance. This will bring into full play the supplementary role of family sidelines to the economy of socialist public ownership. In addition, more agricultural by-products will be produced to satisfy the growing demands of society.

First, after the socialist transformation of agriculture, all or the majority of agricultural by-products come from the economy of socialist public ownership. This is especially so with basic life materials such as food, cotton, oil, carbohydrates and so on. However, in addition to these basic materials, men also have many other needs. The economy of socialist public ownership

can only satisfy part of the country's and the people's need for pork, poultry, eggs, vegetables, medicinal herbs and so forth. A considerable part has to be supplied by the family sidelines of commune members. This is especially so with the agricultural by-products needed by the commune members themselves.

Second, exports by both town and country as well as those of the state require certain handicraft and some other agricultural, forestry and pastoral by-products. For various reasons such as dispersed production, small output, the requirement of special skills, the requirement of many years before the yielding of any earnings and so on, the economy of socialist public ownership cannot shoulder the production of these goods all at once. This requires the supplement of the family sidelines of commune members.

Third, the increase of income and improvement of living conditions of commune members mainly depend on the expansion and development of the collective economy. However, such expansion and development have to undergo their own processes. They cannot be achieved overnight. At present, the living standard of many production brigade members is still relatively low. Some are even in a difficult situation. The development of family sidelines of commune members will make up for such inadequacies. Judging from the majority of the existing brigades, the income from family sidelines amount to 10 to 20 percent of the total distributed income of their commune members. Some are even higher. This is an important source of income that should not be overlooked.

Fourth, in addition to participating actively in collective labor, members of rural communes also have spare time after work and during holidays and an auxiliary labor force from their families. They also have production experience and special skills handed down in the family. There are also simple tools and small plots around their houses. The state and the collective also have scattered resources widely dispersed in the rivers, lakes and mountains. All the above cannot be fully utilized during the organization of collective production. All these factors can be fully utilized by developing family sidelines of commune members. This is in accord with the objective demands of building up socialism with greater, faster, better and more economical results.

Fifth, the development of commune members' family sidelines enables the collective economy of the communes to concentrate its effort in producing items such as food, cotton and oil which are important to the national economy and the people's livelihood. The additional source of consumption goods and currency income of commune members derived from family sidelines will further stabilize their lives and heighten their enthusiasm to improve collective production. Certain products derived from family sidelines of commune members, such as fertilizers, can directly supplement certain needs of collective production. This fosters better development of collective production. The development of the collective economy will in turn increase the income of commune members and continuously improve their livelihood. Through such practices, commune members will realize that the collective economy is the only guarantee for a happy life. Therefore, in this sense, it can be argued that the development of family sidelines of commune members is the very embodiment of the unity of interests among the state, the collective and the individual.

Although the family sidelines of commune members are fragmented, dispersed and vary greatly, they nevertheless have great potential. Take for instance, the family of Zhu Wenbing of the Xiaogang Brigade, Wudui Commune, Guannan County, Jiangsu Province. In the past 2 years, his family had raised two sows which gave birth to 35-40 piglets. This not only provided the market with piglets but also increased his income by 650-700 yuan. In the spring of 1978, a litter of piglets was sold for more than 350 yuan. His family also raised five goats with an average weight of 35 kg and could be sold for about 100 yuan. In addition, there were also more than 80 chickens, 7 ducks and 2 geese. Besides those given out as gifts and reserved for the family, the rest could be sold for 120-130 yuan while the eggs could be sold for 100 yuan. The private plot of seven and a half fen grew three crops (wheat, corn and vegetables) a year. They were able to reap 350 jin of wheat, 500 jin of corn and 140 dan of vegetables. When remunerated according to market prices, the annual income of the private plot was more than 1,000 yuan. After deducting the expenses for raising the pigs, the annual incomes from private plot and family sidelines amounted to 1,800 yuan. In a family of nine, the average for each person was 200 yuan. (See GUANGMING RIBAO, 20 January 1979) Of course, this is only the classical example of a commune member getting a high return from family sidelines. There are not too many of them in the country as a whole. However, our countryside has nearly 200 million peasant households. If these families can follow the example of the Zhu family and work hard for a certain period, they can increase their incomes from both the socialist collective economy and family sideline production. In this way, the outlook of the whole rural economy will be changed, the livelihood of the peasants will be significantly improved and the rural fairs will be greatly expanded. In addition, agriculture will be consolidated and strengthened and will become the foundation for realizing the Four Modernizations.

II

Active encouragement and assistance of commune members to operate family sidelines is a long term and effective economic policy adopted by our party in the countryside. As early as 1955, the "Resolution on Agricultural Collectivization" pointed out: "Commune members should retain a small plot of private land.... It is improper for certain cooperatives to forbid private plots for commune members." In the same year the "Draft Model Regulations for the Agricultural Producers' Cooperatives", stipulated: "A commune member can operate family sidelines provided that such work does not interfere with his labor performed for the commune." It was further pointed out in the 1962 "working regulations for rural communes (revised draft)" (the Sixty Points): "the family sideline production of commune members is the necessary supplement of the socialist economy. It belongs to the economy of collective ownership and the economy of ownership by the whole people. It is their assistant. To improve the collective economy, avoid obstructions and guarantee their absolute superiority, communes should allow and encourage their members to use their spare time and holidays to develop family sidelines. This in turn will increase social products and the income of commune members and activate the rural market." In 1965, the "directive of the CCP Central Committee and the State Council on greatly developing rural sideline production" once again pointed out: while greatly developing collective sideline

production, commune members should be actively guided and assisted to develop family sidelines. It also told the whole party and the whole people: "Commune members should be allowed and encouraged to operate all the family sidelines stipulated by the 'Revised Draft of Working Regulations of Rural Communes.' As long as the family sidelines of commune members do not involve speculation or abandonment of agriculture in favor of commerce, do not affect collective production and labor, do not infringe on the interests of the public and do not spoil national resources, such activities should be regarded as proper. They should not be hindered or restricted." It has been proven by practice that these stipulations are correct. They are enthusiastically welcomed and supported by the public both in the town and countryside and particularly by the millions of peasants.

However, these important economic policies have suffered several ups and downs primarily as a result of the disruption and sabotage from the "left." This was especially true during the cultural revolution when Lin Biao and the "Gang of Four" carried out their frenzied extreme leftists line in the hope of usurping the party. Family sideline production of commune members also suffered an unheard-of calamity. Lin Biao and the "Gang of Four" lashed at the family sidelines of commune members by cooking up various changes under the banner of "transform small scale production," "restrict bourgeois legal rights," "continue the revolution" and "support the newborn things." They called the family sidelines of commune members "the tail of capitalism," thus vilifying the proper family sideline operation of commune members as "supplying oxygen and transfusing blood to capitalism." Under their pressure and instigation, some localities withdrew the private plots of their commune members. Not a few areas proposed that pigs and eggs from "private ownership" should not be eaten. Many areas even stipulated that commune members were prohibited from owning poultry or livestock, using their holidays and auxillary labor to collect or hunt wild animals and plants, planting fruit trees around their houses and so on. Besides prohibiting raising, collecting and planting, some areas even resorted to searching for chicken coops at midnight to "stop capitalism." All these erroneous regulations and preposterous practices greatly hampered the socialist enthusiasm of the broad masses of commune members and aimlessly wasted a tremendous amount of human and material resources. The considerable decrease in the output of agricultural by-products greatly affected the people in the town and countryside, industrial and agricultural production, market supply and national exports. What was even more unbearable was that many commune members who had done a better job in managing family sidelines, and had earned more income were labelled as "upstarts" or "new rich peasants" and brutally persecuted.

The party central committee under the leadership of Comrade Hua Guofeng has smashed the "Gang of Four" once and for all. This has made it possible to implement the policy of actively encouraging and assisting commune members to operate family sidelines. Our Constitution has clearly stipulated that "Under the condition of guaranteeing the absolute superiority of the collective economy of the communes, commune members can operate a small private plot and family sideline production. In pastoral areas, commune members can

even keep a small number of privately owned livestock." However, the pernicious influence spread by Lin Biao and the "Gang of Four" was pervasive. The policy of allowing commune members to operate family sidelines as stipulated by the Constitution and the 3d Plenum of the 11th CCP Central Committee still needs to be carried through. It requires greater effort to publicize the Party's policy and further distinguish right from wrong on the theoretical level.

First, we must draw a line between socialism and capitalism. It is preposterous for Lin Biao and the "Gang of Four" to call the family sidelines of commune members "the tail of capitalism." We all know that capitalism is primarily characterized by private ownership of the means of production and the exploitation of the workers' surplus labor by the capitalists. The principal pillar of the family sidelines of commune members--the private plots--are owned by the collective. The individual has no right to rent, sell or transfer such land. Even the fragmentary pieces of wasteland are owned by the collective and are strictly limited in number. Commune members are just using holidays, spare time before and after work and part of the auxiliary labor of their families to carry out family sidelines. The use of collectively owned means of production such as animals and tools by commune members to carry out sideline production should not affect collective production. The collectives should be properly compensated for such uses. There should also be no uncompensated use of other people's labor. Meanwhile, the purpose of operating family sidelines by commune members is primarily to satisfy the needs of the state, the collective and the individual. Commune members are not going after profits when they sell part of their agricultural products to the state or in the rural fair. They are selling those goods to dispose of them. Therefore, these family sidelines by commune members are basically different from capitalism.

Second, we must draw a line between family sidelines by commune members and the peasant economy operated by a single family. Family sidelines by commune members and small peasant economy are essentially two different forms of economy. The authors of the Marxist classics said that the nature of an economic form "is determined by people's relations in the process of production." [Stalin, "Concerning Questions of the Agrarian Policy in the USSR," "Collected Works," Vol 12, p 142) The difference between family sidelines of commune members and small private economy based on a single family is mainly due to the qualitative changes of "people's relations in the process of production" within the family sidelines of commune members as compared with that of the small private economy. These changes are a result of the interaction of internal and external factors.

Judging from the perspective of external factors, family sidelines have always been a kind of subordinate economy. This is no exception with family sideline production of commune members. It is subordinated to the economies of socialist ownership by the whole people and socialist collective ownership. Thus, it's influenced by the main body of the economy. Marx pointed out: "In all social forms, there is always a definite form of production

which dominates and influences all other forms of production. Its relations in turn, dominates the position and influence of all other relations. It is an illuminating light which absorbs colors into it and distorts their characteristics." (Marx, "Introduction to 'A Critique of Political Economy,'" Collected Works, Vol 2, p 109) The socialist economy furnishes private plots to commune members for their permanent use in family sideline production. It also supports the commune members provided that collective production is not hindered. In the allocation of labor, the needs of collective production should be given priority. With this precondition, commune members should be allowed to use their spare time, holidays and family auxiliary labor to engage in family sideline production. With regard to exchanges, resources which affect the national economy and the livelihood of the people should be brought in line with the national plan. Even the fragmentary or small quantity of resources produced by the family sidelines of commune members should be sold in the rural fair. No illegal activities such as reselling for a profit or speculation should be allowed. All these measures aim at conditioning the nature of family sidelines of commune members.

Comrade Mao Zedong pointed out that external causes are the conditions for change while internal causes are the basis. External causes work through the internal causes. Therefore, while looking for the external conditions for the family sidelines production of commune members, we also have to examine its internal relations.

First, the economy of small-scale private ownership is founded on the individual peasants' private ownership of the basic means of agricultural production, namely, land. In family sideline production, commune members are only allowed to use small plots of private land allocated to them by the collective economy according to the stipulations of agricultural policies. Some comrades believe that permanent use, in practice, implies permanent possession. This, together with the private possession and use of small farming tools by commune members, lead to their assumption that the means of production of family sideline production of commune members is still based on private ownership. This is a lopsided view. The right of possession and the right of use of the means of production are interconnected while at the same time they are two distinct concepts. They have specific characteristics and are not the same. Stalin correctly pointed out: What is it that fetters the small peasants in their small commodity economy? "First and foremost, it is their small piece of private land. It is the system of private land ownership." (Stalin, "Concerning Questions of the Agrarian Policy in the USSR," Collected Works, Vol 12, p 134) Our agricultural collectivization turned private ownership of land into collective ownership. This was a fundamental change. Meanwhile, private plots managed by commune members are allocated for their use by the socialist collective economy according to its own needs for consolidation and development. In other words, private plots are derived from the socialist collective economy and are not remnants of private ownership left behind by history. The small farming implements and tools owned by individual commune members are used for family sidelines and private plots. However, such implements are primarily for collective production. This, in reality, is a special system of responsibility within the socialist collective economy with regard to small farming implements and tools.

Second, the management activities of small-scale ownership by individual peasants are based on private labor, whereas, the family sidelines of commune members are operated by collectivized peasants. They are a form of supplementary labor performed by commune members during their spare time, holidays and by using their family auxiliary labor after finishing their collective labor. This kind of labor is performed under the guidance of the collective economy. It is related to and integrated with collective labor within the commune and constitutes an organic part of the necessary labor in the whole socialist collective economy.

Third, the economy of private ownership is an independent economic form. Individual operation is its only source of income. The family sideline production of commune members is a form of subordinate economy. The income of commune members comes mainly from the collective economy. The income from family sidelines, including private plots, constitutes only a small part of the total dispensable income of commune members. Furthermore, such income is only a supplement to the income from the collective.

Fourth, with the exception of the part needed for self-consumption, a considerable proportion of products produced by the economy of private ownership are put into the market. In a capitalist society, this portion of the products is totally dominated by market principles. Before the advent of agricultural collectivization, our rural areas were, to a large extent, influenced by the market. But the products of family sideline production by commune members, with the exception of those for self-consumption, are directly brought into line with the state plan through the means of processing materials or supplying goods to the state, purchasing and marketing by the state and so on. Products marketed at the rural fairs are very small in quantity in terms of individual households. Most of these are resources in fragmentary or small consignments.

Fifth, the production of small private owners is aimed at satisfying their own needs for reproduction and enlarged reproduction. In addition to this, some people also use the growth of value to possess other people's labor without compensation. This inevitably results in the polarization of classes, whereas, family sideline production of commune members is the kind of management activities which aim at satisfying the socialist economy and the individual needs of commune members.

Therefore, under the interaction of internal and external factors, in terms of outward appearance, there are certain similarities between the family sidelines of commune members and the economy of small private ownership. Such similarities include individual possession of certain means of production, individual labor, products controlled by the individuals and so forth. However, in terms of contents, that is, relations between people in the process of production, there are fundamental differences. We can compare family sideline production by commune members with the economy of small private ownership although the economy of small private ownership is not yet a form of capitalist economy, it is basically in the same category of capitalist economy because it is also based on the private ownership of the means of production." This kind of economy is diametrically opposed to "the socialist trend

of the proletariat." It is precisely because of this that "small scale production is constantly, and at every turn, producing capitalism and the capitalist class spontaneously and extensively." (Stalin, "Concerning Questions of the Agrarian Policy in the USSR," Collected Works, Vol 12, p 132) It is the opposite case with the family sideline production of commune members. It is a new type of family sideline production. It is not yet part of the socialist collective economy and still bears the traces of the economy of small scale ownership in terms of means of production, labor, distribution and exchange. However, it is basically in the same category of socialist economy. It is a new form of individual ownership subordinated to socialist public ownership.

We are Marxists who advocate uninterrupted revolution and revolution developing in stages. In the long run, the family sidelines of commune members are to be replaced by socialist public ownership. However, the process of replacement takes time and has to be realized gradually. For a definitely long period, the family sidelines of commune members not only should not be weakened but should indeed be strengthened. This kind of strengthening should manifest itself in the annual increase of net income of commune members from the operation of family sidelines and private plots. This should be accompanied by a corresponding increase of the proportion of income from the collective economy in the total income of commune members. Even if we want to increase the proportion of income of commune members from the collective, we should not adopt such inappropriate measures as reducing the income of commune members from family sidelines. At present, the development of family sidelines of commune members is preparing the conditions for its abolition in the future. Therefore, we must make good our efforts to summarize the experiences and lessons of history and actual practices and thoroughly purge the pernicious influences of the ultra-leftist line of Lin Biao and the "Gang of Four." We should also clear away the theoretical obstacles to the development of family sidelines of commune members. We should positively encourage and assist the family sidelines of commune members with full confidence.

III

At present, various levels of leadership of the party should conscientiously put the development of family sidelines of commune members in their agenda of work so as to achieve overall consideration and all-around arrangement. Of course, this should be done on the conditions that socialist collective production is developed positively and the absolute superiority of the socialist collective economy is guaranteed. This is especially pertinent for the various levels of communal organizations. "Indigenous policies" and "indigenous methods" which obstruct the development of family sidelines of commune members should be resolutely discarded. We should bring our work in line with the spirit of the constitution and the stipulations of relevant documents of the 3d Plenum of the 11th CCP Central Committee. We must concentrate our efforts on important links such as production, distribution and exchange. We should also strengthen our leadership realistically and render effective encouragement and assistance to the family sidelines of commune members.

First, in terms of production, we must insure that commune members have sufficient private plots according to the policy stipulation of the party. (This should include hills reserved for private use, whereas, pastoral and mountainous regions should have sufficient privately owned livestock.) We must also insure that wasteland allotted according to policy should be brought under the permanent use of commune members. Commune members who are not allotted an adequate amount of private land as stipulated should be adequately compensated. No individual or organization is allowed to withdraw private plots allotted to the permanent use of the families of commune members at will. Private ownership and the utilization of means of production such as small farming implements and tools by commune members should be insured. Fruit trees, mulberry trees, bamboo and so on planted around the households or in places assigned by the production team should be under the permanent possession of commune members. Provided that collective production is not affected, the production team should try its best to facilitate the use of animals, farm tools, seeds and irrigation by commune members for the operation of private plots. (This also includes wasteland and feeding grounds allotted by the collective.) For the masses of commune members who are having difficulties, the production team should give them proper consideration and assist them in solving their difficulties in the operation of family sidelines to increase their production and income. In the organization of collective production, production teams should strike a proper balance between work and rest and implement the system of holidays conscientiously. Commune members should have enough spare time and holidays to engage in family sideline production. Meanwhile, for weak and aged commune members and children, there should be proper arrangement according to the agricultural seasons so that they can have more time to engage in family sideline labors such as raising pigs and poultry, knitting, collecting and so on.

In accordance with the principles of voluntary participation and benefiting both public and private interest, various levels of communal organizations, supply and marketing cooperatives, handicraft cooperatives and specially assigned state enterprises should adopt appropriate means to assist the development of family sidelines of commune members. Such measures should include state orders for processing and manufacturing goods, state supply of raw material, marketing of products by the state, state purchase of products and private raising of publicly owned stocks. Family sideline production should also be linked with the state economy. However, in the course of providing the necessary guidance and assistance, there should be no arbitrary interference so that the autonomy of the family sidelines of commune members can be protected.

Second, in terms of distribution, all the income from family sidelines and private plots should be owned and dispensed with by commune members. Products from the private plots of commune members and wasteland should not be included in the amount of food ration distributed by the collective. The state should not levy any agricultural tax on such products nor put them under state monopoly. Manure collected by commune members and supplied to

production teams or brigades according to regulation should be reasonably remunerated commensurate with its quality. Excessive quantities which are of good quality should be rewarded by cash or in kind.

Third, in terms of exchanges, agricultural products produced by the family sidelines of commune members, with the exception of those specially restricted by the state, can be sold at the rural fair after fulfilling the state contracts. Under the guidance of the principles of "being flexible without sacrificing stability and controlling without sacrificing flexibility," we must make a good effort to manage the trade of the rural fair. We should not close down the market trade of the rural fair at every turn. In purchasing the products of family sidelines of commune members, state commercial and supply and purchase cooperatives should carry through the principles of exchange of equal value and correctly implement the effective policies of state purchase and rewards.

We should positively encourage and assist the operation of family sidelines by commune members in accordance with the policy of the party. This is not only beneficial to the individual commune members, but also beneficial to the state and the collective. However, the family sidelines of commune members are, after all, different from the socialist collective economy. This contradiction is mainly manifested in the choice of the sphere of operation for family sidelines of commune members and the arrangement of labor, fertilizers, farming seasons and so on. We must resolve these contradictions according to the principles of overall considerations and benefit to both public and private interests. The correct approach is, under the conditions of improving the management of the collective economy, clearing away any obstruction to its development and guaranteeing its absolute superiority and improving the management of family sidelines of commune members. It is erroneous to obstruct and weaken the collective economy as a result of overlooking its development. This includes failure to concentrate the energies of commune members for the development of the collective economy and failure to provide proper guidance and management of the family sidelines of commune members. Similarly, it is equally erroneous if we positively improve the management of the collective economy but withdraw the necessary support and assistance to the family sidelines of commune members, or even limit the development of family sidelines of commune members. In actual life, the masses of rural cadres and commune members have created many effective means to solve the above contradictions. For instance, a system must be implemented to fix a basic number of days in which commune members are on duty and a basic amount of manure commune members have to turn in. (In some areas it also included the basic amount of grass to turn in.) This also includes the system of personal responsibility for small groups or individuals and the system of fixed personnel, tasks, quality and remuneration. All these systems have positive effects on solving the above contradictions. Various levels of communal organizations and departments and supply and purchase cooperatives should conscientiously insure the implementation of policies of the state related to the family sidelines of commune members. Such departments should pay close attention to examining the progress of implementation of such policies and summarize the successful experiences and

popularize them in a timely manner. Problems related to such work should also be solved. Meanwhile the ideological and political education of commune members should be strengthened so that they will come to realize the unity of interest among the state, collective and individual. They should also be taught that "when the main river floods, the streams will overflow," and that safeguarding national and collective interests is the greatest interest of the individual. This will enhance the concern and positive participation of commune members in collective production and enable them to follow consciously the policies and regulations of the state and the discipline of collective labor. Only thus can we really improve the family sidelines of commune members. This will stimulate the development of agricultural production and contribute to the early realization of the Four Modernizations.

CSO: 4006

NATIONAL ECONOMIC POLICY

PRC JOURNAL DISCUSSES RURAL TRADE FAIRS

HK111400 Beijing JINGJI YANJIU in Chinese No 8, 20 Aug 79 pp 34-39

[Article by Zuo Ping [1563 1627], Guo Dongluo [6753 0392 2867] and Mao Xincui [3029 0207 5488]: "On Rural Trade Fairs at the Present Stage of Our Country's Development"]

[Text] With a view to accelerating the tempo of agricultural development and gradually achieving the modernization of agriculture, the 3d Plenum of the 11th Party Central Committee put forward a series of policy measures for developing agricultural production. Developing rural trade fairs under supervision is one of these measures. The communique of the 3d Plenum pointed out: "Commune members' private plots, household sideline production and trade fairs are a necessary supplement to a socialist economy, and no one may recklessly interfere with them." Recently, Comrade Hua Guofeng pointed out in his government work report at the 2d session of the Fifth People's Congress that the party and government policy on trade fairs "should remain protractedly unchanged."

Thanks to gradual implementation of the party's rural economic policies after smashing of the "gang of four," more than 30,000 rural trade fairs have been restored in our country. However, some problems remain. For example, in some localities not enough fair centers have been set up, the interval between one fair and the next is too long and the commodities appearing on the market are subject to rigid restrictions. In some localities, as soon as a rural trade fair is revived, some cadres try to close and stop it. In a few localities, particularly where control over trade fairs had been too tight, a laissez-faire attitude is now taken. The result is that in each case trade fairs fail to bring their proper role into play. These problems have arisen mainly because the pernicious influence of the ultraleftist line of the "gang of four" has not been eliminated. At the same time, some comrades still do not view trade fairs in the same light. In order to clarify the thinking the "gang of four" had thrown into confusion, and implement further the spirit of the 3d Plenum of the 11th Party Central Committee, it is necessary to study further the question of rural trade fairs.

I

A rural trade fair is mainly a form of commodity exchange between peasants. At the present stage of our country, in addition to state and cooperative commerce, rural trade fairs are needed. This is determined by the characteristic of the economic system of our people's communes. In the final analysis it is determined by the present level of our rural productive forces.

Marxism holds that production, distribution, exchange and consumption constitute an organically connected unity of the process of social reproduction. Viewed from the relationship between production and exchange, production plays the decisive role. "The depth, breadth and mode of exchange are determined by the development and structure of production." (Marx: Selected Works of Marx and Engels, "Introduction to 'Critique of Political Economy'", Vol 2, p 102) The objective necessity of the existence of rural trade fairs must be examined from their relationship with the production process.

It is common knowledge that after liberation our country, under the leadership of the party, successfully realized the socialist transformation of agriculture, promoted the development of productive forces and achieved a great success in agricultural production. However, because of shortcomings and errors in our work, particularly because of the disruptive activities carried out by Lin Biao and the "gang of four," on the whole the rate of our agricultural production has been slow and the nature of the means of production, an important indicator of productive forces, has not undergone any important changes. Viewed from the present development level of our agricultural productive forces, farming is still done mainly by manual labor and animal power, the level of farm mechanization is not high and agricultural productivity, output and commodity rate are very low. The relations of production must be compatible with the conditions of productive forces. The present state of our agricultural productive forces determines the characteristics of the economic system of our rural people's communes. Article 7 of the "Constitution of the People's Republic of China" adopted by the Fifth People's Congress stipulates: "The rural people's commune sector of the economy is a socialist sector collectively owned by the masses of working people. At present, it generally takes the form of three-level ownership, that is, ownership by the commune, the production brigade and the production team, with the production team as the basic accounting unit. Provided that the absolute predominance of the collective economy of the people's commune is insured, commune members may farm small plots of land for personal needs and engage in limited household sideline production; in pastoral areas, they may also keep a limited number of livestock for personal needs." The three-level collective ownership with the production team as the basis and the small private plots and limited household sideline production undertaken by commune members is the objective economic foundation of rural trade fairs as well as the starting point from which our party worked out the rural economic policies including trade fairs.

Products under collective ownership are owned and controlled by various collective bodies. After fulfilling state quotas of sales and meeting their

own needs, collective bodies in the economic system of people's communes have the right to dispose of their remaining products and, except where restrictions are imposed by the state council or by provinces, municipalities and autonomous regions, may sell their remaining products on the market. This means that we should not only respect certain rights of communes-brigades-teams to make their own decision in production but also permit them to have a certain freedom of trade. At the same time, as production conditions vary with different communes-brigades-teams, it is not possible for them to satisfy their needs of production and livelihood in every respect. This makes it necessary to exchange agricultural and subsidiary products among communes-brigades-teams. The existence of rural trade fairs is precisely aimed at meeting these objective needs.

Rural trade fairs--this form of exchange is all the more needed to suit the household sideline production carried out by commune members (cultivating private plots is also a household sideline production). The reason for this is that the products turned out by the families of commune members are owned by commune members themselves. Under the premise of fulfilling state purchases and sales contracts, they have the right to sell these products as commodities on the market. This means that commune members should be allowed to not only have limited personal freedom of production but also limited personal freedom of purchase and sale (limited freedom under the large collective). At the same time, conditions of household sideline production vary with different localities and different families; the products turned out by the families of commune members as their sideline production and the means of subsistence obtained from the collective are not the same in variety and quantity while the needs for such products and means of subsistence differ in thousands of ways. These circumstances make it necessary to help supply each other's needs and adjust surpluses and shortages through trade fairs.

Furthermore, it should be noted that a considerable part of the products turned out by the families of commune members and the agricultural and subsidiary products turned out by production teams are diversified in variety and standard and are so scattered that supply-marketing cooperatives and state-operated commerce can neither procure all of them nor fully supply them. In particular, it is difficult for state-operated commerce to handle perishable products such as vegetables, fish, shrimp, young pigs and very young vegetable plants, which demand minimizing the intermediate links and quickening the process from production to sale. According to a survey of a fair day on June 25, 1978, in Santai County, Sichuan Province, of the 158 kinds of agricultural and subsidiary products appearing on the market in the whole country, 29 or 18.4 percent were difficult for state-operated commerce and cooperative commerce to handle and 38 or 24 percent were beyond their means. This shows that rural trade fairs are a supplementary form indispensable to state-operated commerce.

A host of facts proves that if peasants are not permitted to help supply each other's needs when the state is unable to provide everything, rural

fairs will exist covertly if the open ones are closed; likewise, scattered fairs will appear if concentrated ones are closed. On the one hand, this will give capitalist forces an opportunity that can be exploited to their advantage. On the other, this will hinder normal development of a diversified economy and household sideline production and produce disastrous effects on the rural economy and commune members' livelihood. As Lenin said, under the circumstances in which the socialist factories are still unable to exchange the total products the peasants need for grains and materials, to ban all exchanges other than state-operated ones is a policy of "stupidity" and "suicide."

II

Marxism holds that production determines exchange and its development. At the same time, it holds that exchange affects and even determines production and its development to a certain degree. Marx said: "To be sure, production also depends on other elements so far as its one-sided form is concerned. For example, when markets are expanded, that is, when the scope of exchange is expanded, production is divided more elaborately." (Marx: Selected Works of Marx and Engels, "Introduction to 'Critique of Political Economy'", Vol 2, p 102)

Practice has proven that developing rural trade fairs to further the material interests of the peasants will play a positive role in rousing their enthusiasm for developing commodity production, in promoting development of agricultural and subsidiary production and in enlivening the rural economy and the interflow of commodities between town and country.

Development of rural trade fairs should be based on agricultural and sideline production, which in turn can promote development of agricultural and sideline production. Take Shaodong County, Hunan Province, for example. Rural trade fairs have been increasingly enlivened in the county over the last 2 year. In 1978, the number of pigs increased to 750,000, an average of 3 per household, and chickens and ducks increased to 1.73 million, an average of 7.8 per household. Furthermore, compared with 1976, poultry raised by members of the No 8 production team, Chayi brigade, Chaqiao commune, Xiaoshan County, Jhejiang Province increased by 69 percent during 1978. Compared with 1977, ordinary reed mats made by communes, brigades and teams in Heze County, Shandong Province increased by 1.5 million sheets and black-and-white reed mats increased by 6 million pieces.

With agricultural and sideline production developed and trade fairs enlivened, communes-brigades-teams and members have more cash income. For example, in 1978 Yuanguan brigade, Sima commune, Jiangdu County, Jiangsu Province sold agricultural and subsidiary products at rural fairs after fulfilling state sale quotas and received 25,700 yuan income. Nanmen brigade, Shouyang commune, Longxi County, Gansu Province, set up a small pottery works which produced earthen jars and basins which found brisk sales at the county fair; their income from this source accounted for 10 percent of the total made by the brigade. Jiumingwan brigade, Xinji commune, Xinzhou County, Hubei Province was adversely affected by the ultraleftist line of the "gang of four"

during 1976 when members' private plots were taken back and household sideline production and trade fairs were restricted. This resulted in people having livelihood difficulties and borrowing pocket money from the collective. In the first half of 1978, thanks to implementation of the policy of promoting household sideline production, trade fairs were increasingly enlivened and brigade members had a total deposit of 4,210 yuan. With cash income increased for communes-brigades-teams and members, conditions were created for developing agricultural production and improving people's living conditions.

Development of rural trade fairs has facilitated purchases and sales and also adjustment of surplus and shortage between communes-brigades-teams and between commune members. Take the trade fair at Subuzhen, Liuan County, Anhui Province for example. In the first half of 1978, the following products changed hands: 6,870 head of young animals, 227,400 jin of husk and bran feeds, 57,000 bamboo baskets, 30,000 carrying poles, 20,000 manure baskets, nearly 50,000 bamboo hats, barnyard mats and sieves, 1,254,850 jin of vegetables, 61,400 dan of firewood, 74,000 dan of dry grass for house-building purposes. This enlivened the rural economy, supplemented state-operated commerce and satisfied better the diversified needs of commune members in production and livelihood.

With rural trade fairs developed and commodities increased on the market, it is convenient for the state to procure some agricultural and subsidiary products at the fairs to meet the needs of cities and towns and the needs of regions. For example, in 1978 the state-operated and cooperative commerce in Yuxi County, Yunnan Province, procured agricultural and subsidiary products at rural fairs amounting to 10 percent of the total volume of transactions at the fairs. State-operated commerce in Yishui County, Shandong Province purchased a million jin of medicinal herbs through contracts at county fairs, overfulfilling its annual plan by 50 percent. Shouyang commune supply-marketing cooperative in Longxi County, Gansu Province increased its purchase of agricultural and subsidiary products by 2,000 percent and its sale of manufactured goods by 200 percent on fair days than at ordinary time. Thus, in a certain sense, trade fairs have increased the interflow of commodities between town and country and promoted the interrelationship of industrial and agricultural production.

In short, over the past 2 years and more since the smashing of the "gang of four", rural trade fairs have been increasingly enlivened with great success in many localities. Rural cadres, commune members and urban staff and workers are pleased with this. Once again these achievements vividly show that the party's policy on rural trade fairs is correct and necessary.

III

At the moment, some people still feel misgivings about the development of rural trade fairs. They are afraid that with prices freely negotiated at rural fairs and the law of value playing a regulating role, prices will be raised and capitalism will be developed. This way of looking at things is not right.

At rural fairs, prices are negotiated and fixed by both parties. This is determined by the characteristics of commodity production and exchange. As mentioned above, the commodities appearing at the fairs are mainly agricultural and subsidiary products produced by commune members' families and by production teams. These products are fragmentary and diversified in variety, making it impossible for the state to fix uniform official prices. At the same time, commune members and production teams treat each other as commodity owners at the fairs. Since the level of exchange prices has a direct bearing on the amount of their income, they are obliged to weigh the price levels of buying and selling products. They will sell their products only when they think the prices are favorable or appropriate; they would rather spend much of their time "on sustained and uncompromising bargaining to win an adequate price for the labor time they have expended on their products." (Marx: "Capital," Vol 3, People's Press, 1975 edition, p 1018) The fact that prices are negotiated and fixed by both parties at rural fairs is one of the characteristics distinguishing trade fairs from state-operated commerce in the sphere of exchange as well as an important part of the limited freedom of trade fairs in the sphere of commodity exchange.

Free negotiation of prices at rural fairs is essentially a way of organizing exchange activities by both parties at the fairs by adjusting supply and demand with the fair prices which are affected by supply and demand. Here arises a question of the action of the law of value. In rural trade fairs, the action of the law of value is realized through changes in commodity prices. These changes of commodity prices are determined by the supply-demand relationship. Due to the effect of supply-demand relationship, commodity prices at the fairs will certainly fluctuate around their value. When supply of a certain commodity falls short of demand, the price is higher than its value; when supply exceeds demand, the price is lower than its value. When supply and demand are basically balanced, price and value draw near. It is through these changes in price that the law of value asserts itself as a regulator at the fairs. We should consciously utilize it to regulate production and exchange of products turned out by the families of commune members and part of the products turned out by communes-brigades-teams. This will make up for the deficiency of state plans.

The prices of certain commodities at rural fairs are higher than their value. This is not caused by the free negotiation of prices. The main reason is that these commodities are still unable to satisfy the needs of the people and that supply falls short of demand. In this connection, there is nothing to be afraid of. According to the law of value, this great deviation of price from value will not last long. The higher price will stimulate commune members to develop production vigorously. When production is developed and increased commodities appear on the market, price will fall and remain at a level slightly higher or lower than the value. Over the past 2 years or more, since the smashing of the "gang of four," rural trade fairs have produced initial results in this respect. It may be clearly seen from the conditions of various localities that the general tendency of price movement at rural fairs is a downward one and the gap between fair prices and official ones begins to narrow.

Look at the following examples. In Heishan County, Liaoning Province, vegetables appearing on the market reached 900,000 jin in the first half of 1976 and increased to 6 million jin as prices fell by 58.3 percent during the corresponding period of 1978; native tobacco appearing on the market reached 6,800 jin in the first half of 1976 and increased to 120,000 jin as prices fell from 2.2 yuan to 1.20 yuan per jin during the corresponding period of 1978. Compared with the corresponding period of 1976, fair prices of pork fell by 20 percent, chicken by 9 percent, geese by 8.2 percent, egg products by 6.9 percent, young pigs by 7.7 percent, feeds by 39 percent and preserved vegetables by 18 percent in Gangkou, Shaxi and Guzhen communes, Zhongshan County, Guangdong Province. In Shaodong County, Hunan Province, where rural trade fairs are increasingly being enlivened, prices of fresh fish, poultry and pork were slightly higher than official prices during 1978. In Nantong County of Jiangsu Province, prices of fresh broad beans were 20 percent lower than official prices in the first half of 1978.

It should be noted that the disruptive activities carried out by the "gang of four" for many years produced tremendous effects on our agricultural and subsidiary production. Although prices at rural fairs have been falling to a certain extent, the higher prices of some commodities in some localities will prevail for some time to come. This is an unavoidable phenomenon. At the present stage, this will serve to promote agricultural and subsidiary production. So long as we clearly recognize this point, adjust supply and demand and intensify the economic activities of state-operated commerce to influence prices and guide production, we shall be able to bring the production enthusiasm of commune members into play. This is precisely our fundamental aim in developing rural trade fairs. The role played by the law of value as a regulator in them may not be related to capitalism.

Our rural trade fairs are under state management and are led by state-operated commerce. Capitalists are barred from it, and small retailers are forbidden to take part in it. Furthermore, we are against those who give up farming and do business and those who engage in speculation and profiteering. Those taking part in fair activities are mainly members of people's communes and communes-brigades-teams; products are mainly exchanged to adjust surpluses and shortages and help supply each other's needs in production and livelihood. Here, "commodities, as soon as they reach a point where they serve as the use-value, will shift from the sphere of production exchange to the sphere of consumption." (Marx: "Capital", Vol 1, p 122) People cannot rely on such exchanges to make fortunes. (Some typical surveys show that on average the income made by commune members by selling their household sideline products at the fairs generally does not exceed 20 yuan per capita, about 15-20 percent of the income received from the collective.) Our rural trade fairs are a necessary supplement to the socialist economy and obviously are essentially distinct from the capitalist free market.

Exchange at our rural fairs is also fundamentally different from the exchange between small commodity producers under the system of private ownership of the means of production. While exchange between small producers under the

system of private ownership of the means of production is generally free from exploitation, the small producers become polarized under the action of the law of value when exploited by intermediate merchants and are turned into the foundation for engendering capitalism. Rural trade fairs at the present stage of our country are developing in the rural areas where the socialist relations of production are predominant and the main means of production and products are owned by the collective while the labor force and labor time are mainly controlled by the collective. Under such circumstances, our rural trade fairs cannot become the soil for engendering capitalism.

To be sure, rural trade fairs also play a certain negative role. As fair prices change along with changes in the supply-demand relationship, regional and seasonal price differences are great; prices are not the same even between the time the fair begins and the time it closes and between one fair day and the next. These circumstances will bring about a spontaneous tendency toward capitalism among a section of people and induce a small number of people to engage in speculation and peddling activities thus jeopardizing the state planned market. It is not right to lose sight of this and to let things take their own course. However, so long as we strengthen our leadership and management, this negative role will be restricted to the minimum.

IV

Years of practice have proven that if we want to make rural trade fairs develop in a healthy way, bring their positive role into full play and to restrict their negative role, we must strengthen state leadership and management over them on the principle of "control trade fairs without stagnating them, enliven them without throwing them into disorder."

"Control trade fairs without stagnating them, enliven them without throwing them into disorder" is a relationship of dialectical unity. Rural fairs are opened and managed for the purpose of enlivening trade fairs developing agricultural and subsidiary production, opening channels of commodity interflow and satisfying needs of the people. The pernicious influence of metaphysics preached by the "gang of four" has made some comrades think it is difficult "to control them without stagnating them and enliven them without throwing them into disorder." In their eyes, trade fairs will be stagnated as soon as they are placed under control and will be thrown into disorder as soon as they are enlivened. Guided by this thinking, they either let them take their own course or recklessly interfere with them. Besides, there are those who insist that "left" is better than right and who want to do everything to "restrict and kill" trade fairs. For this reason, if we want to lead and manage trade fairs properly, we must continue to criticize the "left" opportunist line of the "gang of four" and liberate our comrades from the ideological prison of the "gang of four."

Practice has proven that scientific administrative management of rural trade fairs is an important part of leading and managing trade fairs properly and insuring "control of trade fairs without stagnating them, enlivening them without throwing them into disorder." By scientific administrative management,

we mean that the industrial and commercial departments shall act according to party policies, protect lawful transactions, stop unlawful activities and crack down on speculation and profiteering so as to promote development of commodity production and exchange in the rural areas. This means that we must proceed from actual conditions and strictly draw a dividing line between the lawful and the unlawful. On the basis of our previous experience and lessons and taking account of the present conditions, we think it necessary to distinguish between four dividing lines as follows:

1. Between those who produce and sell by themselves and those who sell what they have bought and who give up farming and do business. Commune members, who take the products (turned out by their families as sideline production) and the remaining products (received from their production teams and after meeting their own needs) to nearby fairs for sale or, according to traditions, take their products to neighboring areas for sale, are regarded as those carrying out proper trade activities and should be protected. But those who have long separated themselves from collective productive labor and who engage in selling what they have bought must be stopped.

2. Between proper household sideline production and individual sideline production. Various kinds of sideline production carried out by commune members during their off-duty hours and on off days without hindering collective production are proper sideline production; products turned out in this way are permitted to appear on the market. But those who do not engage in collective production the whole year around and who fraudulently exchange materials for production purposes are carrying out individual sideline production. They should be brought under control.

3. Between negotiating prices and forcing up prices. In some cases, prices are rigidly fixed at rural fairs; one who exceeds the limited price is accused of forcing prices up. This is not right. Forcing up prices refers to the evil practice of forcing up prices and rushing to buy and sell commodities in order to sell what they have bought. It is diametrically different from the practice of negotiating prices.

4. Between legitimate fairs and black markets. It is legitimate to carry out trade activities permissible by policy at designated places. Those who carry on transactions outside the market and disturb the normal market order should be educated and stopped. But not all cases may be dealt with as black market activities. Black market transactions refer to the spontaneously formed transactions--unlawfully buying and selling commodities that are under state monopoly and purchase quota, coupons or certificates. Such black market transactions must be resolutely banned.

Unlawful activities should be dealt with discriminately according to the circumstances of each case. We should mainly rely on education while making punishment secondary. We should crack down only on the small number of speculators and profiteers guilty of serious offenses and the leading elements of the speculative and profiteering groups.

Practice has proven that if we want to lead and manage rural fairs properly and "control them without stagnating them and enliven them without throwing them into disorder," we must do things according to objective economic laws; in particular, we must utilize the action of the law of value.

As mentioned above, prices at rural fairs are negotiated and fixed by both parties, and the law of value plays its part as the regulator in rural trade fairs. We should familiarize ourselves with it, master it and apply it to bring the leading economic role of state-operated commerce into fuller play. First of all, we should begin with production according to the needs of the masses. We should organize and help communes-brigades-teams and members develop diversified production of native products, by-products and special products, tap the potentials of all mountain products and local produce, and provide rural fairs with more and more resources. Secondly, we should uphold the principle of exchanging equal values, do a good job through repeated consultations with communes-brigades-teams and members, to conclude contracts for purchase and marketing of agricultural and subsidiary products, and determine the percentage of products to be retained and to be purchased. With contracts signed, state purchase plans can be placed on a reliable basis; their fulfillment can be insured while communes-brigades-teams and members can know where they stand and enthusiastically arrange production and fulfill their sales tasks so they can sell their products at the fairs after they have fulfilled their plans ahead of schedule. This will promote development of rural trade fairs. Thirdly, actively develop purchasing and marketing activities and take in and send out commodities to adjust supply and demand, stabilize commodity prices and protect the legitimate interests of producers and consumers.

If we give up economic leadership over fair prices and merely issue administrative orders to restrict them, this will dampen peasants' enthusiasm for production and drive them to the black market, in which case the development of trade fairs will be adversely affected.

Practice has proven that to insure healthy development of rural trade fairs, it will also be necessary to conduct deepgoing, meticulous education among the peasants, instill socialist ideas into their minds, criticize the tendency towards capitalism and extensively publicize party and government policy on development of rural trade fairs. It will be necessary to teach them to handle correctly the relations among the state, the collective and the individual. State sales tasks should be fulfilled in the first place. Household sideline production should be carried out without hindering collective production. They should consciously observe policies and decrees, refrain from selling what they have bought and refrain from giving up farming and doing business.

Conditions of rural trade fairs are complicated. But so long as we put emphasis on investigation and research, pay attention to summing up our experiences and closely combine economic leadership, administrative management and ideological work, we shall be able to raise our level of management continuously, insure forward development of rural trade fairs along the correct road and further enliven the rural economy.



ECONOMIC PLANNING

BASING BIRTH RATE ON FUTURE LABOR DEMANDS CRITICIZED

Beijing JINGJI YANJIU in Chinese No 7, 20 Jul 79 pp 59-60

[Article by You Yunzhong [3266 0336 0022], staff member of the Population Division of the United Nations: "Planning Current Birth Rate on the Basis of Future Supply and Demand of Labor"]

[Text] An article by Yu Chinshun [0205 6855 7311] in the March 1979 issue of JINGJI YANJIU [ECONOMIC RESEARCH], titled "A Study of Socialist Population From the Angle of Economics" (pp 55-60), proposed that the current birth rate should be based on future labor needs. He proposed a formula:

$$B = \frac{I - I'}{P} \div (22-18), \quad (1)$$

where B is the birth rate; P, the current population; I, the additional labor force needed in 22 years; and I', the new labor force which can be increased in 18 years. I and I' do not include the current labor force. The author assumes that it takes 18 years for a baby to grow up to become a worker. The 22 years he used probably covers the period from 1979 to 2000. Therefore, the current birth rate should be considered on the basis of the additional labor force which the next 4 years can supply for the period from 1996 to 2000.

This is a suggestion in which planned parenthood is coordinated with planned economy. This is a very good thought. If I, the labor force needed, and I', the new labor supply, in Formula (1) can be predicted, then this is a suggestion which deserves wide publicity. Here I wish to offer a few ideas, especially in connection with I, the labor force needed, because it is very difficult to predict.

First, I and I' in Formula (1) represent persons above 18 years of age, and all of them are workers. Therefore, strictly speaking, this formula is started from the labor population aspect of demography. In the entire population structure, there are many people who cannot live to the age of 18 years. In the total mortality rate of population, the number of deaths

among babies under 1 year old is also not low. To use future labor population above 18 years of age alone to consider the present birth rate overlooks the number of people who die before 18. The birth rate so planned will certainly be lower than it should be. The higher the death rate, the greater the deviation will be. Therefore, the parameters in Formula (1) should be supplemented to read $I - I' + N$, where N represents the number of people who die before the age of 18. However in order to estimate N , we must estimate the birth rate in the next 4 years. In other words, in order to directly estimate B , the relationship between I and I' cannot be applied.

Next, since Formula (1) is used to predict births in the next 4 years, $(I - I')/P$ should be divided by 4. But the denominator is the current population, not the average population for 4 years. Unless the total population remains constant in the next 4 years, B will be too low if the population increases, and too high if the population decreases.

For practical use, the relationship expressed in Formula (1) can hardly be satisfactory because it is extremely difficult to predict I , the future labor force needed. Aside from seasonal changes in certain trades, the need for labor force is affected by social economic structure and the method of production. In economic planning, short-term labor needs for certain trades or for certain geographical areas can be calculated, and calculated accurately. To meet short-term labor needs, adjustments may be made among trades, re-training programs may be conducted, workers may be migrated, and even international immigration can be used. As to long-term needs, two points should be given consideration. One, whether such needs can be estimated. Two, whether such labor needs should be satisfied by increasing population.

In regard to the first point, up to now, there is no adequate rule in economics and demography to make this kind of prediction. The supply of labor force of a country may be derived from the development of the rate of labor participation (or the ratio between the working population and the total population) and predictions of future population.⁽¹⁾ However, the labor force need is always derived on the basis of estimates of future economic development. In order to estimate future economic development, we must first refer to the possibilities of future population development. Population and economic development affect each other. While the present methodology is still imperfect, population is always treated as a self-varying quantity in social economic research, and the weighing of the effect of social and economic developments on population development is still done in an indirect way. This is an area where economists and demographers still have to put in more effort.

In regard to the second point as to whether it is necessary to increase population to satisfy the labor force 18 years hence, I don't think so. Our country has a population of nearly 1 billion, the most populous country in the world. There is already enough labor force to supply the need of

every trade. For some trades which do not have sufficient labor force, the need should be met by retraining or migration, not by increasing future population. Under this premises, there is a possibility where $I \leq I'$, or $I - I' \leq 0$. If so, the result of Formula (1) will be a negative number or 0. Then the birth rate will be negative or 0. Neither situation can happen.

On the basis of the points mentioned above, I think that the current birth rate cannot be calculated from Formula (1).

As to the desired future birth rate, death rate and population growth rate, we can only set up approximate goals on the basis of their present numerical data and their future trend. The country's present 10-year economic development plan demands that our population growth be slowed down to 1 percent after 1980. Suppose the current birth rate is 2.2 percent, (2) and all economic and population plans are accomplished 3 years later, the birth rate will probably be lowered to 1.8-1.9 percent. The death rate must, therefore, be around 0.8-0.9 percent. Suppose the current death rate has already dropped to 0.7 percent, (3) then the birth rate must drop to 1.6-1.7 percent. It is extremely difficult for the birth rate to drop from 2.2 percent to 1.6 percent unless the current birth rate is already below 2.2 percent. Therefore, the estimates of birth and death levels must be accurate. This is another problem.

If the 1 percent population growth rate can remain constant or even continue to drop, the higher the economic growth rate, the higher the people's income will be. The desired population growth rate can be formulated according to the predicted economic growth rate and the per capita income growth rate. Then we can plan the desired birth rate on the basis of population growth rate. Whether these goals are adequate depends upon the various current numerical data on population. This is one of the methods used by many countries to study the relationship between population and economic development.

Notes:

(1) For the method of estimating labor force (supply aspect) and forecasts of labor forces in various countries, see International Labor Office, Labor Force, 1950-2000, Vols 1-6, Geneva, 1977.

(2) This is China's birth rate for 1975-1980 estimated by the Population of the United Nations.

(3) China's mortality rate was 0.76 percent in 1972. This rate may be too low.

(4) If economic, population and personal economic growths are expressed by growth indices, then the formula for growth rate is: $r = \log_e (R_t/R_0)/t$, where r is the growth rate, R_t is the value at the end of the period of a certain element, R_0 is the value at the beginning of the period of a certain element, and t is the time. If we use E to express the value of economic growth, P to express the population, and V to express the individual personal economic growth ($V = E/P$), then the population growth rate (r_p), economic growth rate (r_E), and individual personal economic growth rate (r_v) have this relationship: $r_p = r_E - r_v$. If r_E is 6 percent, and r_p is 2.5 percent, then the individual personal economic growth rate is 3.5 percent. This 3.5 percent growth rate shows that the average personal income may be doubled in 20 years. If the population growth rate is dropped to 1 percent while the economic growth rate remains unchanged, then the personal economic growth rate will be increased 5 percent. Then the average personal income will be doubled in about 14 years.

1004

CS0: 4006

ECONOMIC PLANNING

PRC JOURNAL DISCUSSES FARM-INDUSTRY INTEGRATED ENTERPRISES

Beijing JINGJI YANJIU in Chinese No 8, 20 Aug 79 pp 23-27 HK

[Article by Ding Zeji (0002 3419 0679): "A Brief Discussion on Farm-Industry Integrated Enterprises"]

[Text] Integrated farm-industry management has become an important form of farm management in many countries in the world over the last 30 years. After coming into being in West Europe and the United States, it has spread since the 1960's. It has also made advances in Yugoslavia. In the 1970's it has been vigorously practiced in the Soviet Union and East European countries. This form of management has also appeared in some developing countries of the third world. Our country, too, has established some farm-industry integrated enterprises on the foundation of state farms and has probed into the character, formation and development of farm-industry integrated enterprises. In this article some views are set forth mainly on the basis of the development of farm-industry integrated enterprises abroad.

I

Integrated farm-industry management (integration of farms with industry) has many specific names: farming company and cooperative in Europe and America, farm-industry integrated company, farm-industry composite and inter-unit enterprise in the Soviet Union and East Europe. In our country, farm-industry integrated enterprise is the name that has been established through usage, indicating integrated farm-industry management.

The different names for farm-industry integrated enterprises around the world reflects the different forms of farm-industry integrated enterprises. The diversified forms reflect the different channels through which the integrated enterprises are formed.

One channel is called horizontal integration. Various farms jointly establish farm produce processing factories and conduct commercial purchasing and sales. Some private farms in West Europe and United States jointly organize cooperatives or farming companies to purchase the means of farm

production and sell farm produce and to process farm produce. Some cooperatives also do various kinds of agrotechnical services. For example, dairy cooperatives assume responsibility for supplying milking equipment and performing artificial insemination. In recent years, some cooperatives in West Europe have gone a step further and jointly established large farm produce processing factories, cold storage and warehouses, and so forth. Inter-unit enterprises in the Soviet Union may be regarded as integrated enterprises of this type.

The other is called vertical integration: farms are managed by industrial and commercial enterprises. This integration is done in one of two ways: 1) industrial and commercial enterprises directly open farms and stock-raising farms, carry out specialized production, establish farm produce processing factories and handle storage and transportation businesses, thereby incorporating agriculture, industry and commerce into a unified system of management; 2) the production and exchange operations of farms and industrial and commercial enterprises are linked by contract. This is called "contract farming" which is widespread in Europe and America. For example, a sugar refinery and a sugarcane farm sign a contract under which the farm assumes responsibility for field management and the sugar refinery assumes responsibility for harvesting, transporting and processing the sugarcane and supplying the means of production. All the harvested sugarcane is sold to the sugar refinery and then the farm owners work in the refinery as temporary workers and the waste is transported to the farm and used as feed.

Still another channel of integration is for a state farm to accumulate its own funds, build various farm produce processing factories and set up commercial purchasing and sales organizations. In the process of development, the state farm will gradually unite with other enterprises concerned to form a large farm-industry-commerce integrated enterprise.

The widespread development of farm-industry integrated enterprises of various forms shows that in the last 30 years many countries have, along with achieving modernization of agrotechniques, created various organizational forms of modernized farm management compatible with it. In a capitalist system, horizontal integration and vertical integration reflect two forms of capital movement in establishing farm-industry integrated enterprises. Horizontal integration mainly concentrates on agricultural capital. Vertical integration mainly concentrates on accumulating industrial capital and channeling it into agriculture. In the process of actual development, however, these two forms of capital movement are often interlocked. In capitalist countries, various forms of farm-industry integrated enterprises are interlocked. After World War II, industry, commerce and financial monopoly capital looked for outlets for investment, infiltrated into agriculture and provided huge amounts of funds for farm production, thus promoting the development of farm-industry integrated enterprises of various forms. But in some cases this infiltration has brought about deformed farm-industry integrated enterprises. For example, A Telegraph and Telegram Company in the United States concurrently handles the production and

sale of ham. This cannot be regarded as an organic integration of farms with industry. Integrated management of farm and industry means that farms and industry and commerce serving farms are organically integrated and managed. Not any arbitrary integration of enterprises may be regarded as forming a farm-industry integrated enterprise.

II

The above-mentioned farm-industry integrated enterprises formed through horizontal integration and vertical integration--farming companies, farm-industry integrated companies, cooperatives and "contract farming"--have one economic characteristic in common, that is, integration of farm production with farm produce processing. As farm-industry integrated enterprises, they are specialized farm production units on the one hand and large industrial units and storage, transportation and commercial units on the other. Therefore, the basic economic characteristic of farm-industry integrated enterprises is that within the sphere of their integrated enterprises they can process the vast part of their main farm produce on the spot into commodities for sale.

In East Europe, the common form of integrating farms with farm produce processing industry is the cooperative. In France, grape wine produced by cooperatives integrating grape-growing with wine-making accounts for half of the national output. Farmers also pool their capital to establish preserved fruit and jam processing factories. In Italy, the greater part of the grapes and olives are processed into grape wine and olive oil on the spot. This raises the value of farm produce and increases farmers' income.

In the United States, except for a small number of large farms which have their own farm produce processing factories, the majority of farms confine themselves to the sale of their farm produce. The farm produce processing industry is mostly in the hands of monopoly companies. The monopoly companies see to it that their processing factories are located in the produce-growing areas and the greater part of farm produce is procured through the contract system. At the same time, processing factories are also set up by farm-owners' cooperatives.

Yugoslavia has successfully built farm-industry integrated enterprises, thereby closely and organically combining agriculture, industry and commerce. Of the more than 2,000 farming enterprises in Yugoslavia, some 70 are large modernized farm-industry integrated enterprises which form an integral system from production to processing to the market supply of food-stuffs. The business scope proposed by the "friendship competition" labor association integrated enterprise in Sarajevo extends "from the hoe to the dining table," from farm production to processing and from wholesale to retail and covers restaurants and hotels. It has 12 farm production organizations and signs contracts with 30,000 peasants for the supply of raw materials to its 60 processing factories. It produces wheat, dairy and meat products. It supplies the market with fresh vegetables and fruits

and processes vegetables and fruit products. It also produces chocolates and cakes. The integrated enterprise of the "agricultural cooperation" labor association in Novisad embraces 24 labor organizations—farming, poultry-raising, pig-raising, cows and milk, meats and canned foods, peppers, beer, sugar refining and commerce. It produces 500 million jin of wheat which is preliminarily processed within the integrated enterprise, and bakes 800 million jin of bread and biscuits. It produces more than 300 million jin of vegetables and fruits, and its processed fruits and vegetables reach 100 million jin. The "Belgrade integrated farm enterprise," which Comrade Hua Goufeng visiting that attracted the attention of many countries, is typical of the farm-industry integrated enterprises: Farm produce is processed within the integrated enterprise and supplied to the market for consumption. Ninety percent of its farm produce (including livestock products) is processed by its processing factories, most of which are located in the rural areas and small towns. All the commodities it produces are sold through its commercial network. In 1977, it produced 300 million jin of grain, including more than 200 million jin of wheat which was processed by its processing factories into 140 million jin of flour and bread, which was enough to feed the Belgrade population of 1.2 million for half a year. It raised more than 10,000 head of beef cattle and 100,000 head of pigs, which were processed by its foodstuff processing factories into 20 million jin of fresh meats, sausages and canned meats which were enough to feed Belgrade for 5 months. Its sugar beets are processed by its sugar refinery into refined sugar and confectionery. Its milk, vegetables and fruits are processed by its processing factories or sold fresh to Belgrade and other localities.

Thus it can be seen that with farm-industry integrated enterprises processing farm produce into commodities on the spot, the situation has fundamentally changed in which raw materials of farm produce are produced in the rural areas and transported to the cities for processing. The distance from the produce-growing areas to the processing areas is now shortened, thus saving the transportation cost and cutting down the quantity of goods damaged during transportation. By-products can now be processed and put to multi-purpose use as animal feed, and organic fertilizers. Moreover, with farm produce processing industry built in the rural areas, jobs can be provided for the surplus labor force following farm mechanization, thus promoting the further growth of the rural economy. This will enable the rural population to increase their income and accumulate funds and will bring the enthusiasm of farm workers into fuller play. This state of affairs illustrates the essence and content of farm-industry integrated enterprises. Herein lies their vitality.

Some enterprises are farm-industry integrated enterprises in name but not in reality. In the Soviet Union, some farms, which merely carry on subsidiary industrial side occupations on a small scale and have not integrated farming with farm produce processing, are often publicized in the press as "farm-industry integrated enterprises."

Since the 1970's, Belgrade has merged the greater part of its agricultural cooperatives and state farms into "farm-industry composites." Their average size has grown by 500 percent but only one-fourth are placed under specialized management. This large size is in contradiction to the low degree of specialization and structural complexity, making them difficult to manage. In the case of a sugar integrated company, 60 percent of its raw materials cannot be processed by its processing factory. In Bulgaria, only one-third of the composites own processing industries, and the production value of farm produce processing accounts for only 30 percent. The rest of the production value comes from various industrial side occupations unrelated to agriculture. That is why some people have pointed out that it is not in conformity with the laws of production specialization and integrated production to build farm-industry composites in localities where technology is not extensively adopted. They have raised the question of reducing the size of the composites. To build these farm-industry composites devoid of content is merely to launch a movement for merging the cooperatives in the name of integrating farming with industry.

To integrate farming with industry is mainly to integrate the processing industry that serves farming, with farming. An organic combination of farming, farm produce processing and commerce will eliminate the dislocation that may happen in the intermediate links of commodity circulation. This is necessary. But an enterprise cannot be called a farm-industry integrated enterprise if it is merely integrated with commerce and not with industry.

III

Integration of farming with the farm produce processing industry within a farm-industry integrated enterprise is essentially distinct from the integration of farming with the processing industry which occurred in patriarchal societies. The distinction lies mainly in the fact that a farm-industry integrated enterprise carries out socialized commodity production. The vast part of the products produced by the farm within a farm-industry integrated enterprise are not used as means of subsistence but as raw materials to be processed by the processing factories of the integrated enterprise or, after they are preliminarily sorted out, they are sold as commodities. As raw materials, farm products may either be taken as products in the process of production, for which business accounting is carried out by the enterprise, or as commodities for exchange (through contract connections), depending on the economically independence of the farm. The ultimate products turned out by the integrated enterprise are produced for social consumption and not as a means of subsistence for the enterprise itself.

Commodity production by farm-industry integrated enterprises is identical with socialization of farm production. Socialization of farm production is a prerequisite for forming and developing farm-industry integrated enterprises.

Socialization of farm production presupposes socialization of the means of farm production. This means that the means of farm production are provided mainly by industry and even certain procedures and processes of farm production are carried out by industrial units. Secondly, it presupposes a high commodity rate of farm production. This means that farm products are mainly for social consumption. Thirdly, it presupposes specialization and regional division of farm production.

The United States may be cited as an example to illustrate the high-degree socialization of farm production. The United States has a high degree of socialization of farm production. When farm mechanization began prior to 1920, the means of production purchased from other parts of the country accounted for less than one-third of the production costs incurred by American farms. After the 1960's, the means of production purchased from other parts of the country accounted for more than two-thirds of the production cost. (The means of production produced by the farms consisted mainly of young animals, feed, and so forth). Farm production increasingly depended on industry. Commodities have now reached 99 percent of the total value of farm production. Farmers mainly purchase the means of subsistence and do not produce them for themselves. In the United States, farm specialization has also developed in the direction of a high-degree concentration in the last 30 years with the result that American commodity-producing farms basically produce only one or two kinds of products.

Mechanization and electrification of farm production and the extensive use of chemical fertilizers and farm chemicals means that large quantities of farm machinery and equipment, chemical fertilizers, farm drugs and weed killers must be purchased. This requires large amounts of money. To obtain these funds, output and the commodity volume of farm production must be increased as much as possible. To raise the commodity rate, it is necessary to practice specialized production. The specialization of farm production will promote the development of farm mechanization, and farms will purchase more means of production provided by industry. Promoting each other, the specialization of farm production and farm mechanization will gradually raise the socialization of farm production.

Along with the development of farm mechanization, the connection between industry manufacturing the means of farm production and agriculture will become ever closer. In Europe and America, some industrial enterprises manufacturing the means of production have established their own purchase and sales systems in place of such intermediate commercial links as wholesale and retail companies, thereby building direct connections between industry manufacturing the means of production and agriculture, and forming the integrated purchase and sale between agriculture and industry that manufactures the means of production.

The specialization of farm production and commodity production also demands the establishment of corresponding large factories for processing farm produce. The consumption of foodstuffs by urban industrial population is

increasing. The means of subsistence purchased by the rural population is also increasing. Moreover, urban and rural population demands better quality foodstuffs. All this means that the farm produce processing industry must be developed. Large-scale mechanized industry processing farm produce sets strict demands on the quality and standard of farm produce raw materials. Farm produce of fine quality and uniform standard can be obtained only through specialized farm production. Meanwhile, in order to obtain fine quality raw materials that meet the processing requirements and in order to insure the sources of raw materials and stabilize the prices, the farm produce processing industry must be concerned with the conditions of farm production and build close ties with farm production units. In this way, the contract system, cooperation system and unified management are increasingly developing between farms and the processing industry. This brings about the integration of farms with processing enterprises.

The socialization of farm production is a condition for developing farm-industry integrated enterprises. The establishment of farm-industry integrated enterprises is a product of socioeconomic development.

In some European countries and America, many operations in the process of farm production are separated from farms and managed by specialized companies. For instance, seeds companies not only supply improved seeds but are also involved in planting. Grain storage and transportation companies undertake transportation, drying, processing, storing up and the sale of grain. The production of mixed feeds has grown into a large industrial department which has replaced the farm production of feeds to a considerable extent, making it possible to build large specialized stock farms raising livestock indoors. The development of modern industrial technology has transferred certain original functions of farm production to the sphere of industrial production with the result that even the process of farm production itself is made social in character.

To sum up, it may be said that the socialization of farm production is brought about by modern industry. The development of industry leads to an increasingly elaborate social division of labor between farm and industry, between farming regions, between farms and between the process of farm production on the one hand and various agrotechnical service companies on the other. The further development of such social divisions of labor will certainly demand the integration of this division of labor. The more elaborate divisions of labor the stricter is the demand for integration and cooperation. Integration is attributed to the separation of farm from industry. Farm-industry integrated enterprises achieve cooperation between farm and industry on the basis of divisions of labor and meet the demand for modernized farm production.

Marx said that on the formal basis formed by the antithetical development of industry and agriculture, the capitalist mode of production "has created the material prerequisite for a new high-level synthesis--integration of farm with industry." (Marx: "Capital," vol 1 p 544) Are farm-industry integrated

enterprises an organizational form of this new, high-level synthesis? That remains to be seen. The capitalist system has created a highly socialized farm production and extensively developed farm-industry integrated management of various forms but is in sharp contrast to capitalist private ownership. Farm-industry integrated enterprises are an effective means by which monopoly capital controls farming and uses it to squeeze superprofits. In the capitalist system, the process of developing farm-industry integrated enterprises is the very process in which middle and small enterprises go bankrupt and the broad masses of middle and small farm producers are reduced to the status of proletarians. Only socialism can insure a healthy growth of farm-industry integrated enterprises.

IV

Along with the development of farm mechanization, the question of modernizing the form of farm management is becoming increasingly important. The experiences of foreign countries in developing industry-farm integrated enterprises may be used for our reference.

Farm-industry integrated enterprises have been built in different forms through different channels. There are lower forms as well as higher forms. This shows that farm-industry integrated enterprises may be developed in different ways. But whatever its form a farm-industry integrated enterprise must organically combine farming and the farm produce processing industry and process farm produce into commodities to supply the market. Enterprises that achieve this have brought about farm-industry integrated management and meet the requirements of farm production even if it is not called a farm-industry integrated enterprise. For instance, the cooperatives in West Europe and the "friendship competition" labor association integrated enterprise have achieved this aim.

The farm-industry integrated enterprise is a new thing in our country, but this does not mean that such a management form was never seen in our country. Some 20 years ago, a socialist new enterprise was built in the Shihezi reclamation area of Xinjiang. This new enterprise integrated farming, forestry and stockbreeding and owned a large farm produce processing industry and a commercial setup for selling its products. It embraced farming, industry and commerce. It was a farm-industry integrated enterprise not in name but in reality. It was undermined by Lin Biao and the gang of four several years ago, but it is now flourishing and is advancing in the direction of a modernized, perfect farm-industry integrated enterprise. The Shihezi reclamation area's 20-years of experience is valuable because it is our own experience in building a farm-industry integrated enterprise. The history of the Shihezi reclamation area construction also tells us that some of our state farms can be built into farm-industry integrated enterprises to play their leading part as models in achieving farm modernization.

However, it should be noted that our farming has not been mechanized, the degree of specialization of farm production is not high, the proportion of

commodity production is not large and commodity exchange is not developed between farm and industry. At the same time, the integration of farming with the farm produce processing industry and commerce still leaves many concrete problems to be solved. For this reason, in building farm-industry integrated enterprises we must guard against the practice of purely seeking names. We must also guard against changing the three-level ownership of the people's communes by making a "transition despite poverty" in a disguised form.

Some of our state farms are trying to develop in the direction of farm-industry integrated enterprises. The rural people's communes in our country have set up numerous commune-brigade-team enterprises, which represent the great hope and future of our people's communes. Farm-industry integrated management may assume different forms through different channels and we should create conditions for this. We should build various bases of commodities and farm produce, gradually achieve farm specialization, mechanization and electrification, vigorously develop farm production, raise the commodity rate of farm production and set up various branches of farm produce processing industry. At the same time, the commercial setup for selling products should be established and integrated management of farming, industry and commerce should be achieved. To this end, the system of economic management and the system of purchase and sale should be restructured, and the price system should also be restructured step by step, thereby paving the way for the integrated management of farming, industry and commerce. When conditions are ripe success will come. The farm-industry integrated enterprise, an organizational form of farm management compatible with out farm modernization, will certainly make further advances.

CSO: 4006

GENERAL ECONOMIC INFORMATION

'NET OUTPUT VALUE' AS MAIN ECONOMIC INDEX DISCUSSED

Beijing JINGJI YANJIU in Chinese No 7, 20 Jul 79 pp 80, 36

[Article by Wu Guotsu [0702 0948 4809]: "Also Talk About 'Net Output Value'"]

[Text] After reading Comrade Wan Dianwu's [8001 0368 2978] article entitled "A Proposal To Use 'Net Output Value' To Replace 'Total Output Value' as the Main Economic Index" in the No 4, 1979 issue of JINGJI YANJIU, I have some thoughts. Statistics for "Net Output Value" as an index were compiled in the 1960's, but were later suspended. It was revived recently by statistical departments in the form of annual reports. It shows that this index is needed in practical economic work. Now, let me express my personal views on "net output value" index.

1. While giving the reasons for using "net output value" to replace "total output value" as the main economic index, Comrade Wan pointed out first that "net output value" is closer to reality than "total output value." In my opinion, this statement deserves our attention. For the purpose of analysis and comparison, the "total output values" and "net output values" of our factory in the last 4 years are as follows:

和“净产值”列表如下，作一分析比较。

(1) 年 份	(2) 总 产 值 (千 元)	(3) 净 产 值 (千 元)	(4) 全 厂 人 员 (平均人数)	(5) 其中：工人人数 (平均人数)
1975	1,609	- 387	401	300
1976	1,366	- 708	419	309
1977	1,243	- 831	450	365
1978	1,513	- 216	441	352
(6) 合 计	5,731	- 2,142	428	322

Table 1

Legend: (1) Year (2) Total Output Value (in thousands of yuan) (3) Net Output Value (in thousands of yuan) (4) Total Personnel (average number of persons) (5) Persons on Regular Payroll (average number of persons) (6) Total

The above table shows that the "total output value" of our factory in the last 4 years was 5,731,000 yuan, while the "net output value" was a negative figure, -2,142,000 yuan. The average labor production rate calculated on the basis of "total output value" was 13,400 yuan per person, while that calculated on the basis of "net output value" was 5,000 yuan. From this we can see which calculation is closer to reality, and which can better explain the problem.

Wan also pointed out in his article that it is better to evaluate an enterprise by using its "net output value" than by its "total output value." I see reasons behind this statement. In calculating industrial "total output value" there is a fixed unit price for each product. The product of the quantity of output multiplied by the fixed unit price is the "total output value" of an enterprise for a certain reporting period. But there is error in this calculation. For instance, the unit price of hydrogen ammonium carbonate is 160 yuan per ton with a nitrogen content of 21 percent. However, the "total output value" is calculated on the basis of the gross weight of the product which generally has a nitrogen content of only 16.5-16.8 percent. In this way, the "total output value" is overstated. Let us take another example. Under state regulation, sub-standard products are not permitted to leave the factory. Of course, such products should not be included in the "total output value." Nevertheless, such products are included because the enterprise concerned wishes to show an impressive "total output value." The reports are presented to higher and higher organizations. Who cares to examine the accuracy of these figures? If we change to "net output value," this problem will no longer appear.

2. We can also explain some problems by comparing "net output value" with "total output value," and by analyzing the component parts which make up the "net output value." The "net output value" of our factory in the last 4 years was calculated in the following way:

(上接第 80 页)

	1975年 (9) (百元)	1976年 (百元)	1977年 (百元)	1978年 (百元)
1. 产品销售利润	- 6,506	- 9,802	- 11,258	- 5,484
2. 产品销售税金	583	494	452	551
3. 工资总额	1,769	1,869	2,064	2,371
其中, 计划外用工	485	526	406	428
4. 职工福利基金	128	134	182	207
5. 企业利息支出	8	87	100	96
6. 其他	145	143	146	102
(7) 工业净产值	- 3,873	- 7,075	- 8,314	- 2,156
(8) 工业总产值	16,090	13,660	12,430	15,130

Table 2

- Legend:
1. Profit from the Sale of Products
 2. Tax on Sales of Products
 3. Total Wages
 Wages for Unplanned Hired Workers
 4. Workers' Benefit Fund
 5. Interest Payments of the Enterprise
 6. Other
 7. Industrial Net Output Value
 8. Industrial Total Output Value
 9. In Hundreds of Yuan

The "total output value" of 1978 increased 69.5 percent and 74.1 percent as compared with 1976 and 1977, respectively. The growth was fast. But the "net output value" was a negative figure, -220,000 yuan. This is to say that the consumption of material and wealth cannot be compensated by production. Therefore, if we observe national economic conditions merely from "total output value," evidently no problem can be explained. Because of the destruction of the national economy by the "gang of four," the average "net output value" was 770,000 yuan in 1976 and 1977. Through economic measures, the "net output value" was reduced to -220,000 yuan in 1978. This was a considerable achievement. A turn-around situation occurred.

Let us analyze the component elements that make up the "net output value," and use 1978 as an example. The total wage was increased as compared with that in the previous 3 years, but the main reason was attributable to

the additional workers employed for the newly established coal briquet plant. The wage adjustment in 1978 was another reason for the increase, but the number of outside workers employed without previous plan was decreased. The workers' benefit fund was increased as compared with the 3 previous years mainly because of the wage increase. "Other" expenses pertaining to primary distribution of people's income was decreased 30 percent as compared with the previous 3 years. More important, losses from sales were decreased 40 percent as compared with the previous 3 years. This shows that consumption of raw material, fuel and power was greatly reduced. If we use "total output value" alone, these data cannot be obtained.

1004

CSO: 4006

FINANCE AND BANKING

BANK OF CHINA HOLDS JOINT MEETING OF DIRECTORS, SUPERVISORS

Hong Kong ZHONGGUO XINWEN in Chinese 30 Jul 79 p 8

[Article: "Bank of China Calls Meeting of Directors and Supervisors"]

[Text] The first joint meeting of the 4th Board of Directors and Supervisors of the Bank of China was held in Beijing on 27 July.

The meeting heard and approved the business and financial reports of the Bank of China. On the basis of the shift of priorities of the nation's tasks and the policy of reform, reorganization and improvement of national economy, the directors and supervisors conducted enthusiastic discussions on how to improve the work of the Bank of China, and offered many valuable suggestions. The meeting called upon all workers of the Bank to be alert, to renew their effort and to make new contributions for implementing the Four Modernizations within this century.

The meeting was presided over by Gao Peixin [0829 1014 2450], honorary chairman of the Board of Directors. The meeting was attended by Bu Ming [0592 2494], chairman of the Board of Directors; Chang Yanqing [1603 1750 0615], Chen Kedong [7115 0344 2639], Cui Yanxu [1508 1693 4872], Cui Ping [1508 1627], Xiang Kefang [7309 0344 2455], and Li Pinzhou [2621 5111 0719], all vice chairmen of the Board of Directors; Rong Yiren [2837 3015 0088], Sha Qianli [3097 0578 6849] and Sun Xiaocun [1327 2556 2625], all standing members of the Board of Directors; Li Fei [2621 7378], chief supervisor; Li Shihzhang [2621 0013 3864] and Zhuang Mingli [8369 2494 3810], supervisors.

1004

CSO: 4006

MILITARY ENTERPRISES URGED TO PRODUCE CIVILIAN GOODS

Beijing GONGREN RIBAO in Chinese 6 Sep 79 p 1

[GONGREN RIBAO editorial: "Military Enterprises Should Engage in Energetic Production of Civilian Goods"]

[Text] In the "Report on Government Work" presented by Comrade Hua Guofeng at the Second Meeting of the Fifth National People's Congress, he pointed out: "With the prerequisite that fulfillment of production assignments of military goods with proper quality and volume is assured, military enterprises should do everything they can to produce more civilian goods, and durable consumer goods in particular." All sectors, regions and enterprises of our national defence industries must resolutely respond to the government's call, strive to make new accomplishments and give give vigorous support to the establishment of socialist modernization.

Production of civilian goods by military enterprises is an important policy. The national defence industries constitute a component of the national economy. Within the context of the overall national economy, production of military goods cannot be separated from production of civilian goods, the two having a mutually enhancing effect on each other. With the prerequisite that the national defence industries guarantee fulfillment of their assignments for production of military goods, they should tap their latent potential for production and engage in vigorous production of civilian goods so that they will be able to more fully satisfy the demands of the national economy and of the people's daily needs, so that they will be able to accumulate capital and provide foreign exchange for the nation and so that, thereby, they will contribute further to development of the national economy. Once the national economy has been developed, it will then be possible to provide ample funds and abundant material conditions for the establishment of national defence, with the result that the development of the national defence industries will be furthered ever more rapidly. Because of the special characteristics of military industries, the production assignments of some of these industries are usually below the capacities of the industries. Therefore, if the productive capacity of these enterprises is put into full play, they can engage in vigorous production of civilian goods. This is the course that must be taken. In the past, the

national defence industries made definite accomplishments of implementing the policies of integrating the army and the people and of integrating peace and war. However, over the past some dozen years, production of civilian goods has progressed slowly because of the interference and sabotage of Lin Biao and the "Gang of Four." At present, as the point of emphasis in work is shifting, we must fulfill the overall mission of the new era and make a success of the first battle in the four modernizations. Each sector, region and enterprise of the national defence industries must conscientiously implement the policy of integration of the army and the people, and, with the prerequisite that their strategic production assignments are assured and at the same time that they are engaging in research on and production of military goods, they should take a vigorous part in production of civilian goods required for domestic and foreign markets in the support of agriculture, light industry and expansion of foreign trade so that their efforts will contribute to the more rapid establishment of socialist modernization.

Active production of civilian goods in the national defence industries can lead to great accomplishments. Some products, such as transport aircraft, ships, electronic equipment and optical instruments are in themselves both military and civilian goods. There are many plants that can integrate the special characteristics of their plant equipment and undertake assignments of processing of civilian goods and of technical cooperation, for example, in casting and forging, heat treatment and surface treatment. Many enterprises can, on the basis of the characteristics of their plants, select products involving similar technologies and can organize production by making slight adjustments on their existing basis. In this way, investment will be low, projects will get underway quickly and effects will be seen quickly. There is also a good number of units that have sent out survey groups to various regions and sectors to get an understanding of market requirements. They have striven to expand the production of civilian goods and have developed and mass-produced new products or short-staple products needed by the market. Some have become well-known brands, some have gone into the international market and some of these products have filled deficiencies for the state, thus contributing to the development of our national economy.

As can be seen from the practical experience in development of civilian goods by many military enterprises, there are many advantages in so doing. One of these is that it has greatly increased labor productivity and the utilization rate of equipment. A second is that they have learned two sets of skills, that they have cultivated and trained a technical and scientific corps, that they have raised the technical level of staff and workers and that they have developed the capability for expanded production of military goods in time of war. A third is that they have improved the administration of their enterprises, lowering costs, decreasing consumption, increasing production and revenues and accumulating funds for the establishment of the nation. A fourth is that they have provided more commodities for the market, thus having contributed to satisfying the needs of the masses of the people. A fifth is that they have improved the lives of the workers under conditions of increasing accumulation. In short, with the prerequisite

that military industries maintain production of military goods, expansion of production of civilian goods on their part will not have any [deleterious] effect on the production of military goods but rather will greatly stimulate production of military goods. Therefore, we must further liberate our thinking, raise our understanding and firmly and resolutely proceed to carry out this work effectively.

However, the importance and necessity of production of civilian goods by military enterprises are not understood by everyone. The thinking of some cadres and workers is still affected by muddled ideas to the effect that production of civilian goods by military plants is "not attending to their proper duties" or and "added burden." This requires the leaders of industries to organize the cadres and masses in a conscientious study so that they will acquire a profound understanding of the necessity and importance of implementing the policy of "integration of the army and the people and integration of peace and war." Enterprises that are doing a good job of this can be asked to introduce their experiences and groups can be organized to visit and study from units that are doing a good job. On the basis of unification of thought and knowledge, the initiative of the broad masses of cadres, workers and technical personnel should be aroused and everyone should devise plans, stratagems and methods for expanding the production of civilian goods.

We must also be aware that production of civilian goods by military industries will inevitably lead us to encounter many new problems, such as, for example, problems of coordination of production, supply and consumption, of supply routes of raw materials, of the costs of essential measures and of division of profits, that will require concrete guidance and assistance from the concerned responsible departments and local departments. Industries will also face new internal problems that will have to be studied such as administrative methods, cost accounting, calculation of man-hour prices and calculation of administrative costs. These problems will require continual summarization of experiences and working out of concrete methods.

With thirty years of construction, our nation's national defence industries are of a considerable scale and have a fixed foundation. They also have an excellent tradition of effecting integration of the army and the people. We must make full utilization of existing conditions and give priority selection to those civilian goods for which there is a market demand that are similar to military goods and involve similar technologies, with particular attention to putting light industrial goods into production. We should give full play to the technical skills of the scientific research and design corps of a given unit in manufacturing high-quality civilian goods, and particularly short-staple products that we are not producing, and in striving to develop spheres of application. We must uphold the policy of "quality first," strive to make products that perform well, that are reliable and durable and that are new and original and of fine appearance and work hard to make them into household goods and famous brands on both the domestic and international markets.

Practice produces true knowledge and practice develops abilities. We firmly believe that the vast numbers of cadres and workers in military enterprises will create even more good experiences in the practice of organizing the production of civilian goods. Under the inspiration of the socialist spirit of the Third Plenary Session of the Eleventh Central Committee of the Party and of the Second Session of the Fifth Nation Peoples' Congress, let us work as one for the Four Modernizations, expand the movement for increasing production and thrift in a comprehensive and profound way and greet the thirtieth anniversary of the founding of our great socialist nation with new achievements in developing military goods and civilian goods!

10019

CSO: 4006

LIGHT INDUSTRY

HALT MISAPPLICATION OF SECOND CATEGORY LIGHT INDUSTRY ASSETS

Beijing GONGREN RIBAO in Chinese 6 Sep 79 p 1

[Article by Zhang Weixin [1728 4850 2450] and Qian Jian [3677 1017] of the GONGREN RIBAO: "Firmly Put a Stop to the Practice of Equalitarianism and Indiscriminate Transfer of Resources in Relation to Second Category Light Industries - An Investigation of Second Category Light Industries"]

[Text] [Editor's note] At present, it is a major question whether adopting special measures to improve the light textile industry will enable is to to do a good job of increasing production and economizing and hastening the realization of the four modernizations. It is also a major question whether such action will enable it better to satisfy the needs of the people in their daily lives. An extremely important link in improving the light textile industry is improving er qing gongye [second category light industry]. Because the value of output of second category light industry accounts for more than half the value of output of the entire light industry system, its products are closely linked with the everyday life of each person. However, this year there was a larger number of second category light industry plants experiencing declines in production than ever before seen in history. Just as some of our comrades have said, "The sickness of second category light industry is not a mild one!" The factors leading to the occurrence of this situation include problems of not implementing policy and poor coordination between the industrial and commercial sectors. In a word, certain production relations have stood in the way of the development of second category light industry.

In order to resolve this problem in a conscientious way, this newspaper beginning from today will publish a series of investigations by its reporters in order to draw the attention of the battlefield of industry and communications and of concerned comrades. On this occasion, we wish to offer our sincere advice to the concerned units and comrades that they should not make a superficial pretense of giving serious regard to second category light industry while in actuality they misapply its assets to suit their wishes, compel it to change production and direction, look down on its staff and workers, limit its sources of energy and its supply of raw materials and engage extensively in practices that break the industrial

supports of the collective ownership system. Have we not suffered enough in the past because of this problem? The time has now come to eradicate this incorrect tendency in a conscientious way!

There are many second category light industrial enterprises, their ranks are large and they occupy an important position in the national economy. The total value of output of second category light industry amounts to fifty-three percent of the total value of output of the light industrial system. In a one-year period last year, it gained 4 billion 134 million US dollars foreign exchange, accounting for 71.7 percent of total exports of the light industrial system. Over the past ten some years, about 6 billion yuan a year has been accumulated for the nation through tax revenues and profits turned over to the state.

Second category light industry is closely linked to the everyday life of the people. Every family and every person needs its products. According to our survey, close to 70 percent of the goods used by the average urban family are second category light industrial goods, while second category light industrial goods account for 80 percent of the goods used in average rural families.

Nevertheless, this strong support of the development of the establishment of the socialist economy has for a long time been relegated to a constricted position and has not been able to expand as it should. One of the most pronounced problems affecting it is that the concerned units in some regions have concocted various pretexts for indiscriminate transfer of resources on a large scale.

We know that second category light industry is primarily a collectively owned industry. According to the statistics at the end of last year, there were 58,800 enterprises in the second category light industrial sector of which 56,800 were collectively owned enterprises. Of 6 million 840 thousand workers and staff, 6 million 250 thousand were employed in collectively owned enterprises. Because there are many collectively owned enterprises and because they have made some accumulations, comrades in some regions and sectors have looked on them with covetousness and have brazenly violated policy, indiscriminately transferring their resources and arbitrarily encroaching on their right of independence. For example, second category light industry collective enterprises must pay an income tax of 55 percent on their profits. They must also pay a civil air defence fee of 5 percent, a municipal construction fee of 5 percent and an environmental protection fee of 5 percent. According to statistics, last year, after the second category light industries throughout the nation had paid the aforementioned fees, they were left with an accumulation of 2 billion 70 million yuan. In some regions, fifteen to thirty percent of their accumulations were indiscriminately transferred. To this were added various "loans" and "appropriations," so that in the end very little was left over. Not even the 2 billion 50 million yuan fund that they had raised themselves was enough. In Shandong and Heilongjiang Provinces, only 10 percent, or about 20 million yuan, of the annual accumulations throughout the provinces were left. When this sum was dispersed among the

various levels of second category light industry sectors and enterprises, there was almost no way in which reproduction could be expanded. Let us take the collectively owned enterprises of the Second Category Light Industry Bureau system in Beijing City as examples. In addition to paying 55 percent of their profits in income taxes, of the remaining 45 percent of their profits, they must pay 10 percent to the Ministry of Second Category Light Industry, 40 percent to the Municipal Second Category Light Industry Bureau and 50 percent to the concerned companies. As the result, there is no profit remaining for the collective enterprises. From 1959 to 1976, the funds indiscriminately transferred from the collective enterprises under the jurisdiction of the Second Category Light Industry Bureau by Beijing City amount to over 2 billion 60 million yuan. In some regions, the profits of the collectively owned enterprises were looked on as if it were money in their own banks and whenever there were any expenses to be paid they money was appropriated without giving an account of it. They simply said, let the second category light industries pay this sum! The second category light industries were even required to pay the costs of night meals for the police. There is a shoe factory in Beijing City that was started in a spirit of self-reliance by a few old women. They set up their workshop in their neighborhood compound. Their wages were very low and their working conditions were very bad. They worked very hard for some dozen years and accumulated over 60 thousand yuan from the profits with which they were planning to build a factory building. They did not anticipate that all of their funds would be frozen in 1976. The workers were very concerned and regularly asked where this money was. The factory leaders told them that they should stop worrying and that the higher authorities could not confiscate it. However, when the funds were unfrozen last year, all of them were unexpectedly confiscated. It is truly strange that this despicable practice of indiscriminate transfer of assets has not yet been corrected!

Even more extreme is the fact that in some regions and sectors they have not been satisfied merely with transferring the assets of second category light industrial collective enterprises but have also boldly adopted the method of "lock, stock and barrel removal" and have without cause split off collective enterprises from second category light industry. Last winter and this spring, under the banner of "adjustments," they took over a large group of second category light industrial collective enterprises. Almost all of these enterprises were ones with good equipment, effective technology or high profits. The value of output of the collective enterprises that were taken over in Heilongjiang amounted to 600 million yuan. Among the enterprises taken over were complete enterprises that are indispensable to the production processes of second category light industry. In Harbin, there was a complete pain factory the products of which served the furniture industry throughout the province that was taken over by the chemical industry sector. When the Commune-Brigade Industrial Bureau was established in Yizheng County of Jiangsu Province, because the bureau did not have an office building or funds, it took over in their entirety the cadres and the office buildings of the Tool and Handicraft Industries

Bureau as well as the property and 563,000 yuan belonging to its Supply and Sales Management Department and its Management Department, which sum was added to its own bank account. They also transferred two cadres from the enterprise to serve as bureau chiefs of their industry bureau. Since they had no place to do business, they had to make do as best they could in the factory. Under these circumstances, the thinking of the staff and workers of second category light industries in this region was in a state of upheaval. They said indignantly, First they dismantle our shrines, second they take away our houses and third they transfer our assets. They're pressing us on all sides.

Last year, when the unfreezing of funds was put in order, the Central Committee clearly stipulated that the funds of collective enterprises that had been frozen would in principle all be returned to the original units from which they had come. However, this was not implemented conscientiously in many places. In Beijing City, only 8 percent of the frozen funds of collective enterprises were returned to them. In order to adapt to the development of the collective economy, the Beijing Municipal Committee decided to set matters right and return the goods and materials supply offices that had been transferred last year from various regions to local control, issuing a formal document to this effect. However, up to this point, the concerned departments have not yet implemented this order.

If second category light industry is to move ahead, we must firmly resolve to put a stop to these practices of indiscriminate transfer of assets from collectively owned enterprises among the second category light industries. The simultaneous existence of these two systems of socialist public ownership, i.e., the system of collective ownership and the system of ownership by the entire people, have been determined upon by the level of development of the productive capacity of our nation's society at its present stage and are, from an objective standpoint, inevitable and essential. In order to hasten the realization of the Four Modernizations, we must, at the same time that we are strengthening of enterprises owned by the entire people, also do everything in our power to strengthen collectively owned enterprises. Breaking the supports of the collective ownership system is the same as breaking the supports of socialism!

10019

CSO: 4006

END

END OF

FICHE

DATE FILMED

NOV-6-79

JL